### **CITY OF SPENCER**

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

### **CITY OF SPENCER**

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### **CITY OF SPENCER**

### DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATIONS' TRUSTEES

### **AS OF JUNE 30, 2014**

**MAYOR** 

**MAYOR PRO-TEM** 

Reynold L. Peterson

Steve Bomgaars

**COUNCIL MEMBERS** 

George Kruger (to 12-31-2013)

Randy Swanson

Rich Prentice

William Orrison (from 6-9-2014)

Edward J. Krebs (to 5-5-2014)

Ron Hanson

Frank Petska (from 1-1-2014)

Steve Bomgaars

David A. Scott (to 12-31-2013)

George Moriarty (from 1-1-2014)

**CITY MANAGER** 

Bob Fagen

**CITY CLERK** 

Theresa Reardon

**FINANCE DIRECTOR** 

Brian Weuve

DIRECTOR OF PUBLIC WORKS

Mark White

**CHIEF OF POLICE** 

Mark Warburton

**FIRE CHIEF** 

Douglas Duncan

PLANNING DIRECTOR

Kirby Schmidt

CEMETERY SUPT.

Tim Hamrick

PARK DIRECTOR

DelRay Bredehoeft

STREET SUPERINTENDENT

Dwayne Sebby

**CITY ATTORNEY** 

Donald J. Hemphill

**GOLF COURSE SUPT.** 

Brian Mohr

LANDFILL SUPT.

Chuck Duhn

**SOLID WASTE SUPT.** 

Kent Herbold

LIBRARY DIRECTOR

Mandie Roberts

### **COUNCIL STANDING COMMITTEES**

**PUBLIC SAFETY** 

Edward Krebs, Chairperson (to 5-5-2014) William Orrison, Chairperson (from 6-9-2014)

Randy Swanson

George Kruger (to 12-31-2013)

Frank Petska (from 1-1-2014)

**PUBLIC WORKS** 

David Scott, Chairperson (to 12-31-2013)

Steve Bomgaars (from 1-1-2014) Rich Prentice

Ron Hanson

**FINANCE & PERSONNEL** 

Rich Prentice, Chairperson Steve Bomgaars (to 12-31-2013) George Moriarty (from 1-1-2014)

Ron Hanson

**PROGRESS & DEVELOPMENT** 

Randy Swanson, Chairperson

Steve Bomgaars

David Scott (to 12-31-2013)

William Orrison (from 6-9-2014)

### **BOARDS AND COMMISSIONS**

### **MUNICIPAL UTILITIES TRUSTEES**

Dave Hultgren Sandi Schmidt Alison Simpson Murray Hart Dave Cronk

### **GOLF COURSE BOARD**

Larry Slota Steve Fox Lavonne Peterson Kari Graesing Dennis Manley

### **PLANNING & ZONING COMMISSION**

Kari Roskens Dean Jacobsen Duane Willrett Craig Wampler Duane Bates Kristen Sounder Marjorie Eeten

### **COMPENSATION ADVISORY BOARD**

Jeff Bohnenkamp Mary Rahn Ken Sandvig, Jr. Susan Zulk Diane Quist Zinn Kari Roskens Dave Woodcock

### **CIVIL SERVICE COMMISSION**

Michaela Sailer-Matthiesen Kevin Robinson Connie Larson

### **COLLECTION RATE REVIEW BOARD**

Anita Jorgensen Randy Wiemers Bob Fagen

### **AIRPORT BOARD OF TRUSTEES**

Bob Bates Kyle Norris Tim Steffen Les Hicks Bill Hemme

### PARK BOARD

Kim Bates Dick Montgomery Jason Warren John Zinn Cindy Greer

### **MUNICIPAL HOSPITAL TRUSTEES**

Gary VanHofwegen Neal Conover Kris Van Berkum John Cotton John Rahn

### **ZONING BOARD OF ADJUSTMENT**

Terry Peterson Suzanne Harper Deb Feldman Roger Green Steve Waller Mark Lykke Don Baxter

### LIBRARY TRUSTEES

Erin Rominger Deb Woodcock Bryan Harken Karen Carey Roger Littlefield Ron Behrends Michael Olson Audrey Wheeler Dennis DeWitt

### **PLUMBERS EXAMINERS BOARD**

Joe Froiland Rick Dean Jarold Krogman

### **ELECTRICAL BOARD OF EXAMINERS**

Jerry Bond Steve McAllister Steve Nolting

### **COMMUNICATION CENTER BOARD**

Burlin Matthews Ken Chalstrom Randy Swanson Rich Prentice Mark Warburton Randy Krukow

### **BOARDS AND COMMISSIONS - Continued**

### HISTORIC PRESERVATION COMMISSION

Sheriffa Jones Brian Mohr Bruce Lamport John Frans Lynn Dotson Karli Martin Kristen Souder

### **RENAISSANCE INITIATIVE COMMITTEE**

Randy Cauthron
Mary Jean Montgomery
John Goede
Dick Schallau
Tom Nelson
Clinton Jones
Jill Barr
Jane Campbell
Erin Rominger



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### **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members of the City Council City of Spencer Spencer, IA 51301

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include the financial data for the City's legally separate component unit, Spencer Municipal Hospital. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because Spencer Municipal Hospital reports in accordance with accounting principles generally accepted in the United States of America, a different reporting framework than the City's basis of accounting described in Note 1, the amounts by which this departure would affect the receipts, disbursements, and cash balances of the aggregate discretely presented component unit have not been determined.

### **Adverse Opinion on Aggregate Discretely Presented Component Unit**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City of Spencer, Iowa as of June 30, 2014, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Spencer, lowa as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spencer's basic financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 7 through 12 and the other information included in Schedules 7 through 17 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015 on our consideration of the City of Spencer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spencer's internal control over financial reporting and compliance.

Winther, Stave ~ Co., LLP

March 10, 2015 Spencer, Iowa

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 Financial Highlights

• The City's total cash basis net position decreased \$17,902 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased by \$748,746 and the cash basis net position of the business type activities increased by \$730,844.

### **Overview of the Financial Statements**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the nonmajor funds and on the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and provides selected statistical information.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

### Reporting The City as a Whole

### The Cash Basis Statement of Activities and Net Position

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and
  economic development, general government, debt service, and capital projects. Property taxes and
  state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer, solid waste, landfill, golf course, and airport.
   These activities are financed primarily by user charges.

### **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain receipts (such as Sales Tax Receipts). The City has the following types of funds:

• Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as the Local Option Sales Tax, (c) the Debt Service Fund, (d) the Capital Projects Fund, and (e) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report
business-type activities. The City maintains five Enterprise Funds to provide separate information for
the sanitary sewer, solid waste, landfill, golf course, and airport funds. The City also maintains an
enterprise capital projects fund to account for the acquisition and construction of capital assets to be
used by the enterprise funds. The sanitary sewer, solid waste, enterprise capital projects, and landfill
funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

### The City as Trustee

### Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Fiduciary Funds. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### **Government-Wide Financial Analysis**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$14,671,542 to \$13,922,796. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

Danainta	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013	Increase (Decrease)
Receipts: Program receipts:			
Charges for services	\$ 629,242	\$ 638,411	\$ (9,169)
Operating grants and contributions	1,441,682	1,336,024	105,658
Capital grants and contributions	1,184,325	1,179,096	5,229
General receipts:		, ,	,
Property and other city taxes	5,244,587	5,146,388	98,199
Tax increment financing	524,142	442,736	81,406
Payments in lieu of tax	552,348	544,941	7,407
Local option sales tax	1,821,002	1,937,781	(116,779)
Hotel/motel tax	215,777	192,135	23,642
Use of money and property	137,076	160,088	(23,012)
Unrestricted miscellaneous	527,731	503,121	24,610
Proceeds from sales of capital asset	100,000	0.050.005	100,000
Debt proceeds Total receipts	12,377,912	<u>2,258,695</u>	(2,258,695)
l otal receipts	12,377,912	<u> 14,339,416</u>	<u>(1,961,504</u> )
Disbursements:			
Public safety	2,893,767	2,628,742	265,025
Public works	1,382,115	1,488,739	(106,624)
Culture and recreation	1,359,564	1,426,172	(66,608)
Community and economic development	1,671,969	1,716,338	(44,369)
General government	2,519,300	1,883,162	636,138
Debt service	1,226,883	2,691,798	(1,464,915)
Capital projects	3,078,688	<u>3,131,125</u>	(52,437)
Total disbursements	14,132,286	14,966,076	(833,790)
Change in cash basis net position before transfers	(1,754,374)	(626,660)	(1,127,714)
Not transfera	4 00F C00	1 001 740	(400.404)
Net transfers	<u>1,005,628</u>	<u>1,201,749</u>	<u>(196,121</u> )
Change in cash basis net position	(748,746)	575,089	(1,323,835)
Cash basis net position - beginning of year	_14,671,542	14,096,453	575,089
Cook boois not position, and of year	<b>#40.000.700</b>	044074540	<b>A</b> (740.740)
Cash basis net position - end of year	<u>\$13,922,796</u>	<u>\$14,671,542</u>	<u>\$ (748,746</u> )

The total business type activities cash balance increased from a year ago, increasing from \$8,829,108 to \$9,559,952. The analysis that follows focuses on the changes in cash basis net position of business type activities.

### Changes in Cash Basis Net Position of Business Type Activities

Descriptor	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013	Increase (Decrease)
Receipts: Program receipts:			
Charges for services:			
Sanitary sewer	\$ 2,620,670	\$ 2,391,273	\$ 229,397
Solid waste	1,945,088	1,905,511	39,577
Landfill	1,390,127	1,350,381	39,746
Airport	127,071	120,057	7,014
Golf course	380,117	374,634	5,483
Operating grants and contributions	70,430	75,324	(4,894)
Capital grants and contributions	390,014	118,355	271,659
Use of money and property	268,199	321,937	(53,738)
Unrestricted miscellaneous	111,935	115,812	(3,877)
Total receipts	7,303,651	6,773,284	530,367
Disbursements:			
Sanitary sewer	1,898,550	1,872,717	25,833
Solid waste	1,038,832	2,104,960	(1,066,128)
Landfill	796,772	801,844	(5,072)
Airport	179,128	119,464	59,664
Golf course	316,638	320,342	(3,704)
Sanitary sewer	371,829	3,202,955	(2,831,126)
Landfill	606,452	20,892	585,560
Airport	<u>358,978</u>	28,299	330,679
Total disbursements	<u>5,567,179</u>	<u>8,471,473</u>	(2,904,294)
Change in cash basis net position before transfers	1,736,472	(1,698,189)	3,434,661
Net transfers	(1,005,628)	(1,201,749)	<u>196,121</u>
Change in cash basis net position	730,844	(2,899,938)	3,630,782
Cash basis net position - beginning of year	8,829,108	11,729,046	(2,899,938)
Cash basis net position - end of year	\$ 9,559,952	\$ 8,829,108	\$ 730,844

### **Individual Major Governmental Fund Analysis**

The City's governmental funds showed a combined cash basis fund balance of \$13,922,796 at June 30, 2014 which was \$748,746 less than last year. A summary of the changes is as follows:

	Cash Balances	Cash Balances	Increase
	June 30, 2014	June 30, 2013	(Decrease)
General Local option sales tax Debt service Capital projects Total nonmajor governmental funds	\$11,503,008	\$10,271,621	\$1,231,387
	23,928	805,958	(782,030)
	483,405	518,912	(35,507)
	187,414	1,649,202	(1,461,788)
			299,192
Total	<u>\$13,922,796</u>	<u>\$14,671,542</u>	<u>\$ (748,746)</u>

The City transferred \$1,794,732 from the local option sales tax fund to the general fund. This is the amount of the local option sales tax fund that is to be used for capital improvements. This resulted in an increase in the general fund and a decrease in the local option sales tax fund. The capital project fund showed a decrease in cash balances due to the City completing capital projects that were funded with a bond issue received last fiscal year.

### **Individual Major Business Type Fund Analysis**

The City's business type funds showed a combined cash basis fund balance of \$9,559,952 at June 30, 2014 which was \$730,844 more than last year. A summary of the changes is as follows:

	Cash Balances	Cash Balances	Increase
	June 30, 2014	June 30, 2013	(Decrease)
Sanitary sewer Solid waste Landfill Enterprise capital projects Nonmajor proprietary funds	\$ 3,516,677	\$ 3,244,389	\$ 272,288
	1,358,149	1,101,962	256,187
	4,089,505	3,921,424	168,081
	(33,636)	20,292	(53,928)
	629,257	541,041	88,216
Total	\$ 9,559,952	\$ 8,829,108	<u>\$ 730,844</u>

The business type funds all showed modest increases in cash balances with the exception of the enterprise capital project fund which showed a slight decrease in cash balance.

### **Budgetary Highlights**

The City amended the budget twice. The last amendment was adopted May 19, 2014. The amendments were to budget for grant revenues that were not expected this fiscal year and to budget for projects approved by the City Council after the original budget was prepared.

Even after the budget amendments, actual disbursements exceeded the budgeted amounts in the debt service function.

The City's receipts were \$781,810 less than budgeted receipts due to anticipated intergovernmental receipts not being received in the current year.

The City's total disbursements were \$2,497,175 under the budgeted amounts.

#### **Debt Administration**

At June 30, 2014, the City had \$14,017,430 of debt outstanding, compared to \$15,480,430 last year as shown below:

	June 30, 2014	<u>June 30, 2013</u>
General obligation bonds and notes Other long-term debt Revenue bonds and notes	\$ 5,648,430 200,000 8,169,000	225,000
Total all debt	<u>\$14,017,430</u>	<u>\$15,480,430</u>

### **Economic Factors**

The City of Spencer continues to see improvement in the local economy through the receipt of local option sales taxes, the number of inquiries regarding business opportunities and the number of new businesses coming to town. With the recent renovations at the South Park Mall, including the expansion of Dunham's and the addition of Hobby Lobby, the construction of a new Holiday Inn Express Hotel and the upcoming construction of Noteboom Implement, the City is experiencing growth in commercial opportunities. From a residential growth side, the City currently has one active subdivision that was started in calendar year 2014 with the infrastructure anticipated to be completed early summer of 2015 and ground will break on another new housing subdivision in 2015. Housing starts will continue to play a key role in the growth of our tax base.

This growth is key in allowing the city to continue to offer the level of services our citizens have come to expect and is more important given the implementation of the State's Commercial/Industrial property tax reductions. Currently, the State is reimbursing the City for the lost revenue due to the rollback in Commercial/Industrial property. The City will continue to monitor the State's financial condition as we go forward to anticipate any potential reduction in the backfill the State has promised. If that occurs, the City may have to find new revenue sources, re-evaluate service levels, or do both.

As we go forward, the City is anticipating low interest rates on borrowing which will assist in the financing of several large capital projects. The Fiscal Year 2016 budgets will anticipate the issuance of \$3.7 million in Sewer Revenue debt. In addition, the City's current plan is to increase the Debt Service Levy in Fiscal Year 2017 to generate funds to pay for storm water improvements as well as continued sidewalk improvements.

The City of Spencer has always been financially conservative, as is demonstrated in our available fund balances, debt ratio, and user fees; and we will continue to do so in the future. In doing so, five-year revenue and expense projections are prepared for each of our major enterprise funds; and we model our Debt Service levy out for up to ten years to show where additional debt could be issued without causing a burden to the taxpayers.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Officer at the office of the City Clerk at 712-580-7200.



## CITY OF SPENCER CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

			Program Receipts Operating
		Charges for	Grants and
FUNCTIONS/PROGRAMS:	<u>Disbursements</u>	<u>Service</u>	<u>Contributions</u>
Governmental activities:			
Public safety	\$ 2,893,767	\$ 148,763	\$ 193,535
Public works	1,382,115	34,615	1,121,657
Culture and recreation	1,359,564	153,291	41,382
Community and economic development General government	1,671,969 2,519,300	126,302 36,822	1,189
Debt service	1,226,883	4,711	83,919
Capital projects	3,078,688	124,738	
Total governmental activities	14,132,286	629,242	1,441,682
Business type activities:			
Sanitary sewer	1,898,550	2,620,670	70,430
Solid waste	1,038,832	1,945,088	
Landfill Airport	796,772 179,128	1,390,127	
Golf course	316,638	127,071 380,117	
Capital projects:	010,000	000,117	
Sanitary sewer	371,829		
Landfill	606,452		
Airport Total business type activities	<u>358,978</u> 5,567,179	6 462 072	70.400
•••		6,463,073	<u>70,430</u>
TOTAL	<u>\$19,699,465</u>	<u>\$7,092,315</u>	<u>\$1,512,112</u>
General Receipts and Transfers:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Tax increment financing			
Payments in lieu of tax Local option sales tax			
Hotel/motel tax			
Use of money and property			
Unrestricted miscellaneous			
Proceeds from sale of capital assets			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET POSITION			
CASH BASIS NET POSITION - BEGINNING OF Y	EAR		
CASH BASIS NET POSITION - END OF YEAR			
CASH BASIS NET POSITION:			
Nonexpendable:			
Permanent fund principal			
Restricted, expendable for:			
Debt service			
Urban renewal purposes			
Community and economic development purpo	ses		
Employee benefits			
Police purposes			
Cemetery purposes			
StreetsPark purposes			
Closure and/or postclosure care			
Landfill recycling and planning			
Unrestricted			

TOTAL CASH BASIS NET POSITION

	Net (Disbu	rsements) Receipts and ( Cash Basis Net Position	Changes in
Capital Grants and Contributions	Governmental <u>Activities</u>	Business Type Activities	<u>Total</u>
\$ 5,879 56,000	\$ (2,545,590) (225,843) (1,164,891)		\$ (2,545,590) (225,843) (1,164,891)
3,810	(1,488,478) (2,394,749) (1,222,172)		(1,488,478) (2,394,749) (1,222,172)
<u>1,118,636</u> <u>1,184,325</u>	(1,835,314) _(10,877,037)		<u>(1,835,314</u> <u>(10,877,037</u>
50,000 2,375 17,600		\$ 792,550 956,256 595,730 (34,457) 63,479	792,550 956,256 595,730 (34,457) 63,479
320,039 390,014		(371,829) (606,452) (38,939) 1,356,338	(371,829) (606,452) (38,939) 1,356,338
<u>\$1,574,339</u>	(10,877,037)	1,356,338	(9,520,699)
	4,818,710 425,877 524,142 552,348 1,821,002 215,777 137,076	268,199 111,935	4,818,710 425,877 524,142 552,348 1,821,002 215,777 405,275
	527,731 100,000 1,005,628 _10,128,291	(1,005,628) (625,494)	639,666 100,000 
	(748,746)	730,844	(17,902)
	14,671,542	8,829,108	23,500,650
	<u>\$13,922,796</u>	<u>\$ 9,559,952</u>	\$23,482,748
	\$ 423,942		\$ 423,942
	483,405 187,414 86,812 35,391 837,274 14,413 19,072 314,858 17,207	\$ 412,598	896,003 187,414 86,812 35,391 837,274 14,413 19,072 314,858 17,207
	_11,503,008 \$13,922,796	2,119,429 255,770 <u>6,772,155</u> \$ 9,559,952	2,119,429 255,770 <u>18,275,163</u> \$23,482,748

# CITY OF SPENCER STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES GOVERNMENTAL FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

RECEIPTS:	<u>General</u>	Local Option <u>Sales Tax</u>	Debt <u>Service</u>
Property tax	\$ 3,457,891		\$ 421,405
Tax increment financing Other city taxes	459,442	\$1,821,002	4,472
Licenses and permits  Use of money and property  Intergovernmental	66,000 115,388 868,587	8,273	7,586
Charges for service	252,139		
Special assessments	158,744 <u>352,929</u>		4,711
TOTAL RECEIPTS	5,731,120	1,829,275	438,174
DISBURSEMENTS: Public safety	2 409 216		
Public works	2,408,316 1,307,638		
Culture and recreation	1,247,283		
Community and economic development	673,090	816,573	
General government	1,136,370	,	14,817
Debt service			1,226,883
Capital projects			
TOTAL DISBURSEMENTS	6,772,697	<u>816,573</u>	<u>1,241,700</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER)			
DISBURSEMENTS	(1,041,577)	1,012,702	<u>(803,526</u> )
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital asset  Operating transfers in	3,381,681		768,019
Operating transfers out	(1,108,717)	(1,794,732)	700,010
TOTAL OTHER FINANCING SOURCES (USES)	2,272,964	(1,794,732)	768,019
NET CHANGE IN CASH BALANCES	1,231,387	(782,030)	(35,507)
CASH BALANCES - BEGINNING OF YEAR	10,271,621	805,958	518,912
CASH BALANCES - END OF YEAR	<u>\$11,503,008</u>	\$ 23,928	\$ 483,405
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal Restricted for:			
Debt service			\$ 483,405
Capital projects			4,
Urban renewal purposes			
Community and economic development purposes		\$ 23,928	
Employee benefits		, · · · · · · · · · · · · · · · · · · ·	
Police purposes			
Cemetery purposes			
Streets			
Park purposes			
Committed for:			
Public safety purposes	\$ 1,245,547		
Public works purposes	5,604,237		
Culture and recreation purposes	787,788		
Congress and economic development purposes	1,506,601		
General government purposes	128,601		
Unassigned	2,230,234	***************************************	
TOTAL CASH BASIS FUND BALANCES	<u>\$11,503,008</u>	\$ 23,928	<u>\$ 483,405</u>

### Exhibit B

Capital <u>Projects</u>	Total Nonma Government <u>Funds</u>	
	\$1,092,881 524,142 24,273	\$ 4,972,177 524,142 2,309,189
\$1,045,574 55,853	5,829 1,190,213 7,725	66,000 137,076 3,104,374 259,864 219,308
73,062 1,174,489	259,791 3,104,854	685,782 12,277,912
	485,451 74,477 112,281 182,306 1,368,113	2,893,767 1,382,115 1,359,564 1,671,969 2,519,300 1,226,883
3,078,688 3,078,688	2,222,628	3,078,688 14,132,286
(1,904,199)	882,226	(1,854,374)
100,000 569,492 (227,081) 442,411	848,051 <u>(1,431,085)</u> <u>(583,034)</u>	100,000 5,567,243 (4,561,615) 1,105,628
(1,461,788)	299,192	(748,746)
1,649,202	1,425,849	14,671,542
<u>\$ 187,414</u>	<u>\$1,725,041</u>	<u>\$13,922,796</u>
	\$ 423,942	\$ 423,942
\$ 187,414	86,812 11,463 837,274 14,413 19,072 314,858 17,207	483,405 187,414 86,812 35,391 837,274 14,413 19,072 314,858 17,207
		1,245,547 5,604,237 787,788 1,506,601 128,601 2,230,234
<u>\$ 187,414</u>	<u>\$1,725,041</u>	\$13,922,796

## CITY OF SPENCER STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES PROPRIETARY FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

OPERATING RECEIPTS:	Sanitary Sewer	Solid Waste	<u>Landfill</u>	Enterprise <u>Capital Projects</u>
Charges for services	\$2,620,670	\$1,945,088	\$1,390,127	
Miscellaneous	11,094	61,886	21,965	
TOTAL OPERATING RECEIPTS	2,631,764	2,006,974	1,412,092	-
OPERATING DISBURSEMENTS:				
Salaries	214,453	567,177	323,212	
Payroll taxes and employee benefits	33,998	90,627	51,972	
Repairs and maintenance	31,092	99,273	43,785	
Utilities	5,899	18,043	6,776	
Contract services	804,655	24 402	55,897	
Insurance premiums	15,264	31,123	24,542	
Supplies	6,554 3,362	124,403	90,978	
Miscellaneous	26,519	26,618 15,507	21,567 23,726	
Statewide ASR fees	20,313	15,507	20,000	
Collection fee	22,700	22,700	20,000	
Sales tax paid	39,922	34,796		
Tipping tax	00,0	0 1,7 00	65,923	`
TOTAL OPERATING				
DISBURSEMENTS	1,204,418	1,030,267	728,378	
EXCESS OF OPERATING RECEIPTS				
OVER DISBURSEMENTS	<u>1,427,346</u>	<u>976,707</u>	<u>683,714</u>	
NON-OPERATING RECEIPTS (DISBURSEMENTS): Interest on investments Farm income Interest subsidy on Build America Bonds	34,588 40,000 70,430	11,874	40,644 30,830	\$ 82
Intergovernmental grants	·	50,000	2,375	309,130
Reimbursements				10,909
Capital outlay	(73,812)	(8,565)	(68,394)	(1,337,259)
Debt service payments:	(0.40.000)			
Revenue bonds/notes principal	(343,000)			
Revenue bonds/notes interest TOTAL NON-OPERATING	<u>(277,320</u> )			
RECEIPTS (DISBURSEMENTS)	(549,114)	53,309	5,455	(1,017,138)
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>878,232</u>	_1,030,016	689,169	(1,017,138)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	9,447		554.045	963,210
Operating transfers out	<u>(615,391)</u>	(773,829)	(1,075,133)	,
TOTAL OTHER FINANCING	,	,	,	
SOURCES (USES)	<u>(605,944</u> )	<u>(773,829</u> )	(521,088)	<u>963,210</u>
NET CHANCE IN CACH DALANCES	070.000	050 407	400.004	(50.000)
NET CHANGE IN CASH BALANCES	272,288	256,187	168,081	(53,928)
CASH BALANCES -				
BEGINNING OF YEAR	3,244,389	1,101,962	3,921,424	20,292
CASH BALANCES - END OF YEAR	\$3,516,677	<u>\$1,358,149</u>	<u>\$4,089,505</u>	\$ (33,636)

### **EXHIBIT C**

Nonmajor	
Proprietary Funds	<u>Total</u>
\$ 507,188	\$ 6,463,073
<u>16,990</u> <u>524,178</u>	<u>111,935</u> <u>6,575,008</u>
524,176	<u>- 6,575,006</u>
163,315	1,268,157
22,709	199,306
59,203	233,353
51,936	82,654
35,065 34,446	895,617
24,446 14,150	95,375 236,085
64,083	115,630
16,520	82,272
10,020	20,000
	45,400
14,099	88,817
Approximate Contract	65,923
465,526	3,428,589
58,652	<u>3,146,419</u>
5,181	92,369
105,000	175,830
17,600	70,430 379,105
17,000	10,909
(30,240)	(1,518,270)
	(343,000) (277,320)
97,541	_(1,409,947)
07,041	<u>(1,400,047</u> )
<u>156,193</u>	1,736,472
27,500	1,554,202
(95,477)	_(2,559,830)
(67,977)	(1,005,628)
88,216	730,844
<u>541,041</u>	8,829,108
<u>\$ 629,257</u>	\$ 9,559,952

## CITY OF SPENCER STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES PROPRIETARY FUNDS - Continued AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

OAGU DAGIO FUND DALANGEO	Sanitary Sewer	Solid Waste	<u>Landfill</u>	Enterprise <u>Capital Projects</u>
CASH BASIS FUND BALANCES: Restricted, expendable for: Debt service	\$ 412,598			
Closure and/or postclosure care Landfill recycling and planning	,	\$ 16,977	\$2,102,452 255.770	
Unrestricted	3,104,079	1,341,172	1,731,283	<u>\$ (33,636)</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$3,516,677</u>	<u>\$1,358,149</u>	\$4,089,50 <u>5</u>	\$ <u>(33,636</u> )

### **EXHIBIT C**

Nonmajor <u>Proprietary Funds</u>	<u>Total</u>
\$ 629,257	\$ 412,598 2,119,429 255,770 6,772,155
\$ 629,257	\$ 9.559.952

**Exhibit D** 

## CITY OF SPENCER STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - FIDUCIARY FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS: Use of money and property	\$	5.937
Intergovernmental Miscellaneous	Ψ	3,004
TOTAL ADDITIONS		12,647 21,588
DEDUCTIONS:		
Community and economic development		21,022 21,022
NET CHANGE IN CASH BALANCES		566
CASH BALANCES - BEGINNING OF YEAR		640,133
CASH BALANCES - END OF YEAR	<u>\$</u>	640,699

### CITY OF SPENCER NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spencer, Iowa is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spencer provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services.

### A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with accounting principles generally accepted in the United States of America as they relate to the exclusion of component units. Spencer Municipal Hospital's financial statements can be obtained at their administrative offices or at City Hall.

Spencer Municipal Utilities (SMU) provides electric, communication, and water utility services to the citizens of Spencer. SMU is not considered a component unit of the primary government of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$552,348 in lieu of property tax payments to the City. In addition, SMU paid the City \$56,000 for the storefront initiative and \$105,205 for capital projects.

<u>Jointly Governed Organization</u> - The City also participates in several jointly governed organizations for which the city is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

### **B.** Basis of Presentation

<u>Government-wide Financial Statement</u> - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. The City's net position is reported in the following categories/components:

*Nonexpendable net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Unrestricted net position* consists of net cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

<u>Fund Financial Statements</u> - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

### Special Revenue:

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and to be used for various purposes.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities other than those used by enterprise activities.

The City reports the following major proprietary funds:

### Enterprise:

The Sanitary Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

The Landfill Fund is used to account for the operation and maintenance of the City's landfill activities.

The Enterprise Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities used by enterprise activities.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### C. Measurement Focus and Basis of Accounting

The City of Spencer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

<u>Restricted</u> - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

<u>Committed</u> - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

<u>Unassigned</u> - All amounts not included in the preceding classifications.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

### 2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

### 2. CASH AND POOLED INVESTMENTS - Continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2014:

Cash on hand	\$ 5	5.250
Demand deposits	11,118	3.197
Money market account	13,000	,
Total cash and investments	24,123	
Less Agency Funds	640	),69 <u>9</u>
City's Cook and Invastus auto	000 100	
City's Cash and Investments	<u>\$23,482</u>	<u>2,748</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

### 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's bonds and notes payable are as follows:

			Governmer	ntal Activities		
	General Ob	ligation			To	otal
Year Ending	Bonds/N	Notes	Other Long-	Term Debt	_Governmen	tal Activities
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$1.046.000	¢ 440.500	ф огооо		04.074.000	<b>A</b> 440 500
	\$1,046,000	\$ 112,566	\$ 25,000		\$1,071,000	\$ 112,566
2016	1,066,000	106,650	25,000		1,091,000	106,650
2017	1,092,000	86,899	25,000		1,117,000	86,899
2018	727,000	64,971	25,000		752,000	64,971
2019	483,000	45,987	25,000		508,000	45,987
2020-2024	1,019,430	99,178	75,000		1,094,430	99,178
2025-2029	215,000	15,345			215,000	15,345
2030-2032						
				-		
Total	\$5,648,430	<u>\$ 531,596</u>	\$ 200,000	\$	\$5,848,430	\$ 531,596

### 3. BONDS AND NOTES PAYABLE - Continued

### **Business-Type Activities**

Year Ending		Revenue Bonds Notes		Total Long-Term Debt	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 354,000	\$ 265,493	\$ 1,425,000	\$ 378,059	
2016	365,000	253,987	1,456,000	360,637	
2017	378,000	242,125	1,495,000	329,024	
2018	390,000	229,840	1,142,000	294,811	
2019	403,000	217,165	911,000	263,152	
2020-2024	2,220,000	880,685	3,314,430	979,863	
2025-2029	2,606,000	495,657	2,821,000	511,002	
2030-2032	<u>1,453,000</u>	<u>95,453</u>	1,453,000	95,453	
Total	<u>\$8,169,000</u>	<u>\$2,680,405</u>	<u>\$14,017,430</u>	\$3,212,001	

### **General Obligation Bonds/Notes**

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$5,648,430 at June 30, 2014. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

### **Other Long-Term Debt**

The other long-term debt represents a loan from Spencer Municipal Utilities with a balance of \$200,000 at June 30, 2014. The loan is interest free and will be paid from the General Fund from loan receivable payments received from Shine Brothers Corporation.

#### **Revenue Notes**

The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the \$1,520,000 sewer revenue bonds issued in October 2009 and the \$7,500,000 sewer revenue bonds issued in December 2010. Proceeds from the bonds provided financing for wastewater treatment plant improvements. The bonds are payable solely from the sanitary sewer customer net receipts and are payable through June 2032. Annual principal and interest payments are expected to require less than 50% of net receipts. Total principal and interest remaining to be paid on the bonds is \$10,849,405. For the current year, principal and interest paid on the bonds was \$620,320 and customer net receipts were \$1,427,346. The bonds bear interest at 3.25% including a .25% loan service fee.

The resolution providing for the issuance of the two sewer revenue bonds include the following provisions:

- (A) The bonds will only be redeemed from the future earnings of the sanitary sewer activity and bond holders hold a lien on future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer sinking fund for the purpose of making principal and interest payments when due.
- (C) User rates shall be established which produce and maintain net receipts at a level not less than 110% of the principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2014, the City was in compliance with the revenue bond resolutions.

### 3. BONDS AND NOTES PAYABLE - Continued

The \$7,500,000 sewer revenue bonds issued December 2010 have been designated by the City as Build America Bonds. Under the terms of the Build America Bonds, it is anticipated that 35% of the interest paid on the bonds (net of the loan service fee) will be refunded to the City by the Federal government.

### 4. AIRPORT LEASE AGREEMENTS

The City has entered into several lease agreements for hangar and facilities space at the Spencer Municipal Airport. A summary of the leases at June 30, 2014 is as follows:

Tennant	Lease Term	Lease Amount
Spencer Avionics	7-1-2008 to 6-30-2048	\$1,935 per year, until 6-30-2018
2. Leading Edge Aviation, Inc.	1-1-2010 to 6-30-2014 May be terminated with 6 months notice	\$4,600 per month
3. Superior Lubrication Products, Inc.	Indefinite, may be terminated with 60 days notice	\$1,406 per month
4. CAMM Air	3-13-2006 to 6-30-2105	\$1,200 per year, until 6-30-2016
5. Wilbur Ellis Air	12-1-2013 to 12-1-2016	\$1,550 per month

### 5. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$1,381 during the year ended June 30, 2014. See item IV-D-14 in the Schedule of Findings and Questioned Costs.

### 6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, holiday, and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2014 is as follows:

Governmental activities: General fund	<u>\$ 566,358</u>
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	63,138
Landfill	22,581
Golf course	14,253
Total business type activities	99,972
TOTAL	\$ 666,330

### 7. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were as follows:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
City's contribution	\$261,141	\$255,299	\$237,656
Percentage funded of required contribution	100.0%	100.0%	100.0%

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.4% of earned compensation and the City's contribution rate, based on actuarially determined normal contribution rate, is 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the year ended June 30, 2014, 2013, and 2012 were as follows:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
City's contribution	\$387,518	\$330,460	\$303,650
Percentage funded of required contribution	100.0%	100.0%	100.0%

### 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### **Plan Description**

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 76 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Employee Benefit Systems (EBS). Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

### **Funding Policy**

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$629 for single coverage and \$1,507 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$849,584 (for active members only); and plan members eligible for benefits contributed \$226,419 (both active and retired members) to the plan. In addition, Clay County contributed \$31,662 to the plan for communication center employees.

### 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### 10. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2014 cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

### 11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling \$1,929,677 for various construction projects. As of June 30, 2014, disbursements on those contracts totaled \$860,380. The remaining \$1,069,297 will be paid as the work on the projects is completed.

The City has also entered into several tax increment financing developer agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

### 12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax Capital Projects Proprietary: Enterprise:	\$1,794,732 217,634
	Sanitary Sewer Solid Waste	250,000 5,000
	Landfill Nonmajor Governmental: Special Revenue:	5,000
	Road Use Tax Tax Increment Financing Nonmajor Proprietary: Enterprise:	1,018,275 66,040
Total Canaval Fund	Golf Course	25,000
Total General Fund		3,381,681
Debt Service	Proprietary: Enterprise: Sanitary Sewer Landfill Nonmajor Governmental:	52,491 368,758
Total Debt Service	Special Revenue: Tax Increment Financing	346,770 768,019
Capital Projects	General	569,492
Nonmajor Governmental: Special Revenue:		
Road Use Tax Federal and State Retirement Workers' Compensation Insurance	General General Proprietary: Enterprise:	27,725 316,059
	Sanitary Sewer Solid Waste Landfill Nonmajor Proprietary:	33,538 72,124 34,500
Total Workers' Compensation Insura	Enterprise: Airport Golf Course	2,436 1,968 144,566

### 12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental - Continued: Special Revenue - Continued: Group Medical/Life Insurance	General	\$ 101,946
Group Medica//Elle Insurance	Proprietary: Enterprise:	Ψ 101,940
	Sanitary Sewer Solid Waste	38,357 142,660
	Landfill Nonmajor Proprietary: Enterprise:	60,513
Total Group Medical/Life Insurance	Golf Course	16,225 359,701
Total Nonmajor Governmental Total Governmental Funds		848,051 5,567,243
Proprietary: Enterprise:		
Sanitary Sewer	Capital Projects	9,447
Landfill	Enterprise Solid Waste	<u>554,045</u>
Enterprise Capital Projects	General Proprietary:	65,995
	Enterprise: Sanitary Sewer	241,005
	Landfill Nonmajor Proprietary: Enterprise:	606,362
Total Enterprise Capital Projects	Airport	<u>49,848</u> <u>963,210</u>
•		903,210
Nonmajor Proprietary: Golf course	General	27,500
Total Proprietary Funds		1,554,202
TOTAL OPERATING TRANSFERS		<u>\$7,121,445</u>

Transfers generally move resources from the fund statutorily required to collect the resources to fund the statutorily required to disburse the resources.

### 13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collection and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the close of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the City have been estimated to be \$882,116 for closure and \$1,494,484 for postclosure, for a total of \$2,376,600 as of June 30, 2014. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 48 months with approximately 8% of the landfill's capacity used at June 30, 2014.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs; and at June 30, 2014, assets of \$2,102,452 are restricted for these purposes.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the dedicated fund mechanism. Under this mechanism, the City must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

### 13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the City is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

As of June 30, 2014, the City had a balance in the closure/postclosure dedicated fund in the amount of \$2,102,452.

### 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2014, the City entered into construction contracts totaling \$496,377 for various capital projects.

The City also issued a \$360,000 general obligation communication equipment acquisition loan. The loan is from Spencer Municipal Utilities payable over ten years with no interest.

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

### 15. PROSPECTIVE ACCOUNTING CHANGE

The Government Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.



# CITY OF SPENCER COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES NONMAJOR GOVERNMENTAL FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

RECEIPTS: Property tax Tax increment financing Other city taxes	Special Revenue <u>Funds</u> \$1,092,881 524,142 24,273	Permanent <u>Funds</u>	Total Governmental Nonmajor Funds \$1,092,881 524,142 24,273
Use of money and property Intergovernmental Charges for services Miscellaneous TOTAL RECEIPTS	4,201 1,190,213 259,791 3,095,501	\$ 1,628 7,725 9,353	5,829 1,190,213 7,725 259,791 3,104,854
DISBURSEMENTS: Public safety Public works Culture and recreation Community and economic development General government TOTAL DISBURSEMENTS	485,451 74,477 112,156 181,658 1,368,113 2,221,855	125 648 773	485,451 74,477 112,281 182,306 1,368,113 2,222,628
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>873,646</u>	8,580	882,226
OTHER FINANCING SOURCES (USES): Operating transfers in	848,051 (1,431,085) (583,034) 290,612	8,580	848,051 (1,431,085) (583,034) 299,192
CASH BALANCES - BEGINNING OF YEAR	980,011	<u>445,838</u>	1,425,849
CASH BALANCES - END OF YEAR	\$1,270,623	<u>\$ 454,418</u>	<u>\$1,725,041</u>
CASH BASIS FUND BALANCE: Nonspendable: Permanent fund principal		\$ 423,942	\$ 423,942
Urban renewal purposes Community and economic development purposes Employee benefits Police purposes Cemetery purposes Park purposes Streets	\$ 86,812 11,083 837,274 14,413 6,183 314,858	380 19,072 11,024	86,812 11,463 837,274 14,413 19,072 17,207 314,858
TOTAL CASH BASIS FUND BALANCE	<u>\$1,270,623</u>	<u>\$ 454,418</u>	<u>\$1,725,041</u>

# CITY OF SPENCER COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Road <u>Use Tax</u>	Tax Increment <u>Financing</u>	<u>SSMID</u>	Police Retirement <u>Systems</u>	Civil Service Expenses
RECEIPTS:			¢ 01.007	<b>\$252 555</b>	¢ 6000
Property tax  Tax increment financing  Other city taxes		\$524,142	\$ 81,087	\$253,555 6,083	\$ 6,880 165
Use of money and property Intergovernmental	\$1,121,657	1,551		1,987	103
Miscellaneous TOTAL RECEIPTS	1,121,657	525,693	81,087	261,625	<u>2,857</u> <u>10,005</u>
DISBURSEMENTS: Public safety Public works				300,276	11,408
Culture and recreation  Community and economic development  General government		97,140	84,518		
TOTAL DISBURSEMENTS		97,140	84,518	300,276	11,408
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	_1,121,657	428,553	(3,431)	<u>(38,651</u> )	(1,403)
OTHER FINANCING SOURCES (USES): Operating transfers in Operating transfers out TOTAL OTHER FINANCING SOURCES (USES)	27,725 (1,018,275) (990,550)	<u>(412,810)</u> <u>(412,810)</u>			
NET CHANGE IN CASH BALANCES	131,107	15,743	(3,431)	(38,651)	(1,403)
CASH BALANCES - BEGINNING OF YEAR	183,751	<u>71,069</u>	<u> 14,514</u>	238,897	11,221
CASH BALANCES - END OF YEAR	<u>\$ 314,858</u>	<u>\$ 86,812</u>	<u>\$ 11,083</u>	<u>\$200,246</u>	<u>\$ 9,818</u>
CASH BASIS FUND BALANCES: Restricted for:		¢ 96 942			
Urban renewal purposes  Economic development purposes  Employee benefits		\$ 86,812	\$ 11,083	\$200,246	\$ 9,818
Police purposes Streets Park purposes	\$ 314,858				
TOTAL CASH BASIS FUND BALANCES	<u>\$ 314,858</u>	\$ 86,812	<u>\$ 11,083</u>	\$200,246	<u>\$ 9,818</u>

Police Special	Fire Pension	Federal and State	Workers' Compensation	Trees	Unemployment Insurance	Group Medical/Life	
Proceeds	<u>Accumulation</u>	Retirement	Insurance	<u>Forever</u>	<u>Claims</u>	Insurance	<u>Total</u>
	\$ 76,391		\$ 86,508		\$ 29,444	\$ 559,016	\$1,092,881
\$ 134	1,833 387		2,075	\$ 39	706	13,411	524,142 24,273 4,201
	001	\$ 26,894	20.045	10,000		31,662	1,190,213
<u>669</u> 803	78,611	26,894	20,845 109,428	3,717 13,756	30,150	231,703 835,792	259,791 3,095,501
1,613	87,242	84,912 74,477 104,583	·	7,573			485,451 74,477 112,156
1,613	87,242	39,481 _303,453	188,884 188,884	7,573	<u>27,719</u> <u>27,719</u>	<u>1,112,029</u> <u>1,112,029</u>	181,658 <u>1,368,113</u> 2,221,855
<u>(810</u> )	<u>(8,631</u> )	(276,559)	(79,456)	6,183	2,431	(276,237)	<u>873,646</u>
		316,059	144,566			359,701	848,051 <u>(1,431,085</u> )
		<u>316,059</u>	144,566			359,701	<u>(583,034</u> )
(810)	(8,631)	39,500	65,110	6,183	2,431	83,464	290,612
15,223	47,981	161,307	46,908		10,508	<u>178,632</u>	980,011
<u>\$ 14,413</u>	<u>\$ 39,350</u>	<u>\$200,807</u>	<u>\$112,018</u>	<u>\$ 6,183</u>	<u>\$_12,939</u>	\$ 262,096	\$1,270,623
\$ 14,413	\$ 39,350	\$200,807	\$112,018		\$ 12,939	\$ 262,096	\$ 86,812 11,083 837,274 14,413
•			****	\$ 6,183			314,858 <u>6,183</u>
<u>\$ 14,413</u>	\$ 39,350	\$200,807	\$112,018	<u>\$ 6,183</u>	<u>\$ 12,939</u>	<u>\$ 262,096</u>	\$1,270,623

# CITY OF SPENCER COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Cemetery Perpetual Care <u>Fund</u>	Riverside Cemetery Memorial <u>Trust</u>	Columbarium Vault <u>Fund</u>	Northlawn Perpetual Care <u>Fund</u>
\$ 6,025 6,025	\$ 196 	\$ 36 700 736	\$ 629 1,000 1,629
	125 125		
6,025	71	736	1,629
271,054	21,551	<u>3,847</u>	66,901
<u>\$277,079</u>	<u>\$ 21,622</u>	<u>\$ 4,583</u>	\$ 68,530
\$277,079	\$ 2,550 19,072	\$ 4,583	\$ 68,530
\$277.079	\$ 21.622	\$ 4.583	\$ 68.530
	Perpetual Care Fund  \$ 6,025 6,025 6,025  6,025 271,054	Perpetual Care Fund       Cemetery Memorial Trust         \$ 196         \$ 6,025         6,025         125         271,054         \$277,079         \$277,079         \$2,550         19,072	Perpetual Care Fund         Cemetery Memorial Trust         Columbarium Vault Fund           \$ 196         \$ 36           \$ 6,025         700           \$ 6,025         196           \$ 125         736           \$ 6,025         71           \$ 736         736           \$ 271,054         21,551           \$ 277,079         \$ 21,622           \$ 4,583           \$ 19,072

#### Schedule 3

Griffin Trust <u>Fund</u>	Leach Park Trust <u>Fund</u>	<u>Total</u>
\$ 589	\$ 178	\$ 1,628 <u>7,725</u>
589	178	9,353
648 648		125 648 773
(59)	178	8,580
63,439	<u>19,046</u>	445,838
<u>\$ 63,380</u>	<u>\$ 19,224</u>	<u>\$454,418</u>
\$ 63,000	\$ 8,200	\$423,942
380		19,072 380
•••••	<u>11,024</u>	11,024
\$ 63,380	\$ 19,224	<u>\$454,418</u>

#### **CITY OF SPENCER** COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND **CHANGES IN CASH BALANCES** NONMAJOR PROPRIETARY FUNDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		Enterprise Funds	
OPERATING RECEIPTS:	<u>Airport</u>	Golf Course	Total Nonmajor Proprietary <u>Funds</u>
Charges for service	\$127,071 8,501	\$380,117 8,489	\$ 507,188 16,990
TOTAL OPERATING RECEIPTS	135,572	388,606	524,178
OPERATING DISBURSEMENTS:	14 267	140.049	162 245
Salaries Payroll taxes and employee benefits	14,267 2,296	149,048 20,413	163,315 22,709
Repairs and maintenance	38,079	21,124	59,203
Utilities	32,445	19,491	51,936
Contract services	35,065	10,401	35,065
Insurance premiums	20,224	4,222	24,446
Gas and oil	232	13,918	14,150
Supplies	900	63,183	64,083
Miscellaneous	5,380	11,140	16,520
Sales tax paid	<u>,</u>	<u> 14,099</u>	14,099
TOTAL OPERATING DISBURSEMENTS	<u> 148,888</u>	<u>316,638</u>	<u>465,526</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(13,316)	<u>71,968</u>	<u>58,652</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS): Interest on investments Farm income Intergovernmental grants Capital outlay TOTAL NON-OPERATING RECEIPTS	4,442 105,000 17,600 (30,240) 96,802	739 	5,181 105,000 17,600 (30,240) 97,541
EXCESS OF RECEIPTS OVER DISBURSEMENTS	83,486	72,707	<u> 156,193</u>
OTHER FINANCING SOURCES (USES): Operating transfers in	(52,284) (52,284)	27,500 (43,193) (15,693)	27,500 (95,477) (67,977)
NET CHANGE IN CASH BALANCES	31,202	57,014	88,216
CASH BALANCES - BEGINNING OF YEAR	454,639	86,402	541,041
CASH BALANCES - END OF YEAR	<u>\$485,841</u>	<u>\$143,416</u>	<u>\$629,257</u>
CASH BASIS FUND BALANCES: Unrestricted	<u>\$485,841</u>	<u>\$143,416</u>	\$629,25 <u>7</u>

#### CITY OF SPENCER SCHEDULE OF INDEBTEDNESS JUNE 30, 2014

GOVERNMENTAL ACTIVITIES:	Date of Issue	Interest <u>Rates</u>	Amount of Original <u>Issue</u>	Final <u>Due Date</u>
GENERAL OBLIGATION BONDS/NOTES: Sewer improvement bond Landfill facility improvement bonds Green Industrial Center spec building loan Landfill facility refunding bonds Landfill closure bonds Street improvement bonds West beltway, fire station refunding bonds Corporate purpose and refunding bonds	1-2007 12-2008 7-2009 4-2010 2-2009 12-2010 4-2012 5-2013	4.41% 3.40 - 4.00% 0.00 - 3.00% 2.00 - 3.00% 3.00% 1.80 - 2.80% .90 - 1.50% 1.00 - 1.50%	\$ 655,000 1,350,000 383,430 1,455,000 426,645 575,000 1,565,000 2,245,000	6-01-2026 6-01-2018 7-01-2019 6-01-2019 6-01-2028 6-01-2018 6-01-2018 6-01-2022
TOTAL GENERAL OBLIGATION BONDS/NOT	ES			
OTHER LONG-TERM DEBT: Spencer Municipal Utilities - Shine Brothers lo	oan 11-2006	0.00%	375,000	12-05-2021
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
REVENUE BONDS/NOTES: Sewer revenue bonds Sewer revenue bonds (Build America Bonds)	10-2009 12-2010	3.25% <sup>(2)</sup> 3.25% <sup>(2) (3)</sup>	1,520,000 7,500,000	6-01-2029 6-01-2032

#### TOTAL BUSINESS TYPE ACTIVITIES

Interest begins to accrue at 3.00% on 7-1-2014.

<sup>(2)</sup> Interest rate includes .25% service fee.

<sup>(3)</sup> It is anticipated that 35% of the interest (excluding the .25% service fee) will be refunded per the terms of Build America Bonds.

#### Schedule 5

Balance Beginning <u>of Year</u>	New Issues	<u>Repayments</u>	Balance End <u>of Year</u>	Interest <u>Paid</u>	Interest Due and <u>Unpaid</u>
\$ 1,200,000 540,000 125,000 950,000 383,430 1,010,000 389,000 495,000 1,565,000	<u>\$2,245,000</u>	\$1,200,000 30,000 125,000 140,000 135,000 19,000 80,000 430,000	\$ 510,000 810,000 383,430 875,000 370,000 415,000 1,135,000 2,245,000	\$ 47,450 23,946 5,050 34,070 23,988 11,670 10,215 15,520	
6,657,430	2,245,000	2,159,000	6,743,430	<u> 171,909</u>	
315,000 250,000 565,000		315,000 25,000 340,000	225,000 225,000	19,005 ———————————————————————————————————	
\$ 7,222,430	\$2,245,000	\$2,499,000	\$ 6,968,430	<u>\$190,914</u>	
\$ 1,344,000 		\$ 60,000 <u>272,000</u>	\$1,284,000 	\$ 43,680 _243,750	
<u>\$ 8,844,000</u>		<u>\$ 332,000</u>	<u>\$8,512,000</u>	<u>\$287,430</u>	

#### CITY OF SPENCER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Grantor/Program</u>	CFDA <u>Number</u>	Grant <u>Number</u>	Program Expenditures
Direct: U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0086-021-2013	\$302,11 <u>7</u>
Indirect: U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.	14.228	11-WS-057	2,336
Department of Homeland Security: Iowa Homeland Security and Emergency Management: Hazard Mitigation Grant	97.039	DR-1998-0005-01	
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	SRTS-U-7170(622)-8U-2	1 84,134
		STP-E-7170(623)-8V-21	<u>327,542</u> <u>411,676</u>
Total Indirect			424,457
TOTAL			<u>\$726,574</u>

<u>Basis of Presentation</u> - The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Spencer and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



# CITY OF SPENCER BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS OTHER INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

RECEIPTS:	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Property taxes Tax increment financing revenues Other city taxes Licenses and permits Use of money and property	524,142 2,309,189 66,000	\$ 268,199	\$ 4,972,177 524,142 2,309,189 66,000 405,275
Intergovernmental	3,104,374 259,864 219,308	449,535 6,463,073	3,553,909 6,722,937 219,308
Miscellaneous TOTAL RECEIPTS	685,782 12,277,912	<u>122,844</u> <u>7,303,651</u>	808,626 19,581,563
DISBURSEMENTS: Public safety			2,893,767
Public works  Culture and recreation  Community and economic development	1,359,564		1,382,115 1,359,564 1,671,969
General government  Debt service	2,519,300		2,519,300 1,226,883
Capital projects Business-type activities	3,078,688	5,567,179	3,078,688 5,567,179
TOTAL DISBURSEMENTS	14,132,286	5,567,179	19,699,465
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,854,374)	1,736,472	(117,902)
OTHER FINANCING SOURCES (USES):  Proceeds for sale of capital asset	100,000		100,000
Operating transfer in	5,567,243	1,554,202 (2,559,830)	7,121,445 (7,121,445)
TOTAL OTHER FINANCING SOURCES (USES)	1,105,628	(1,005,628)	100,000
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER			
(UNDER) DISBURSEMENTS	(748,746)	730,844	(17,902)
BALANCE - BEGINNING OF YEAR	14,671,542	8,829,108	23,500,650
BALANCE - END OF YEAR	<u>\$13,922,796</u>	<u>\$ 9,559,952</u>	<u>\$23,482,748</u>

#### Schedule 7

Bud	laet	Final to Actual
Original	<u>Final</u>	<u>Variance</u>
\$ 5,009,091 524,447 2,195,735 48,850 339,322 3,236,805 6,418,479 118,121 260,857 18,151,707	\$ 5,009,091 524,447 2,195,735 60,850 479,793 4,856,685 6,680,665 165,450 390,657 20,363,373	\$ (36,914) (305) 113,454 5,150 (74,518) (1,302,776) 42,272 53,858 417,969 (781,810)
3,335,084 1,898,916 1,566,040 1,527,413 2,192,294 1,148,094 2,516,311 5,536,165 19,720,317	3,385,084 1,898,916 1,566,040 2,272,585 2,639,986 1,148,094 3,685,098 5,600,837 22,196,640	491,317 516,801 206,476 600,616 120,686 (78,789) 606,410 33,658 2,497,175
(1,568,610)	(1,833,267)	<u>1,715,365</u>
7,184,570 <u>(7,184,570)</u>	7,184,570 <u>(7,184,570</u> )	100,000 (63,125) 63,125 100,000
(1,568,610)	(1,833,267)	1,815,365
22,760,791	24,140,794	(640,144)
<u>\$21,192,181</u>	<u>\$22,307,527</u>	<u>\$1,175,221</u>

### CITY OF SPENCER NOTES TO SCHEDULE 7 - BUDGETARY REPORTING FOR THE YEAR ENDED JUNE 30, 2014

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,476,323. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

## CITY OF SPENCER SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:				
Property taxes	\$ 4,972,177	\$ 4,930,379	\$ 4,664,393	\$4,474,342
Tax increment financing revenues	524,142	442,736	685,113	708,215
Other city taxes	2,309,189	2,345,925	2,193,063	2,069,431
Licenses and permits	66,000	58,659	53,417	49,076
Use of money and property	137,076	160,088	216,400	299,985
Intergovernmental	3,104,374	2,670,257	2,096,682	2,627,643
Charges for services	259,864	278,030	314,719	277,177
Special assessments	219,308	190,218	240,557	283,385
Miscellaneous	685,782	1,004,429	1,275,826	2,320,639
TOTAL RECEIPTS	<u>\$12,277,912</u>	<u>\$12,080,721</u>	<u>\$11,740,170</u>	<u>\$13,109,893</u>
DISBURSEMENTS:	Ф 2 002 767	Ф 0 600 740	Ф 0.540.707	Ф 0 242 60E
Public safety	\$ 2,893,767	\$ 2,628,742	\$ 2,549,797	\$ 2,343,685
Public works	1,382,115	1,488,739	1,194,773	1,249,718
Culture and recreation	1,359,564	1,426,172	1,430,033	1,415,736
Community and economic development	1,671,969	1,716,338	1,964,859	2,384,116
General government	2,519,300	1,883,162	2,073,102	2,065,131
Debt service	1,226,883	2,691,798	3,193,101	2,106,313
Capital projects	3,078,688	<u>3,131,125</u>	662,897	3,299,247
TOTAL DISBURSEMENTS	<u>\$14,132,286</u>	<u>\$14,966,076</u>	\$13,068,562	\$14,863,94 <u>6</u>

#### Schedule 8

<u>2010</u>	2009	2008	<u>2007</u>
\$ 4,419,065 730,804 1,620,843 61,752 366,406 2,789,625 304,060 493,349 2,270,949	\$ 4,240,304 706,603 1,879,749 53,830 479,729 2,073,283 311,873 236,308 2,007,211	\$ 4,019,998 527,404 2,201,724 67,745 474,723 2,004,270 882,840 310,385 830,300	\$ 3,952,695 394,841 1,405,882 570,987 585,348 2,351,703 867,074 487,153 925,570
<u>\$13,056,853</u>	<u>\$11,988,890</u>	<u>\$11,319,389</u>	<u>\$11,541,253</u>
\$ 2,285,294 1,420,977 1,425,791 2,289,495 1,478,420 2,584,260 5,828,337	\$ 2,461,524 1,459,165 1,369,796 2,776,842 1,465,448 1,485,111 1,820,672	\$ 2,175,503 1,523,922 1,656,305 1,578,325 1,409,325 1,413,780 1,630,181	\$ 2,162,810 1,389,023 1,833,548 2,239,552 1,693,350 4,899,641 2,589,128
<u>\$17,312,574</u>	\$12,838,558	<u>\$11,387,341</u>	\$16,807,052

#### **CITY OF SPENCER** TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

	Real F	roperty	Utili	ties	To	tal
Payable	Taxable	Assessed	Taxable	Assessed	Taxable	Assessed
<u>Year</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
2004-05	\$317,886,216	\$491,790,397	\$2,590,188	\$2,426,076	\$320,476,404	\$494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	333,287,512	557,257,067	2,843,717	2,619,711	336,131,229	559,876,778
2007-08	349,624,211	561,803,499	2,260,676	2,930,865	351,884,887	564,734,364
2008-09	354,156,680	598,779,919	2,434,206	2,831,174	356,590,886	601,611,093
2009-10	369,955,950	614,883,975	2,423,771	4,181,187	372,379,721	619,065,162
2010-11	376,448,740	618,121,056	2,120,021	4,979,517	378,568,761	623,100,573
2011-12	387,681,728	624,496,525	4,742,729	9,461,423	392,424,457	633,957,948
2012-13	408,051,910	637,183,057	4,343,795	9,473,493	412,395,705	646,656,550
2013-14	416,417,732	636,901,294	4,248,110	9,504,765	420,665,842	646,406,059

Fiscal Year	Ratio of Total Taxable Value to Total <u>Assessed Value</u>
2005	64.8
2006	69.5
2007	60.0
2008	62.3
2009	59.3
2010	60.2
2011	60.8
2012	61.9
2013	63.8
2014	65.1

NOTE: Taxable Value does not include the Tax Increment Levy.

#### **CITY OF SPENCER PROPERTY TAX RATES AND DEBT DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN YEARS** PER \$1,000 ASSESSED VALUATION

Fiscal <u>Year</u>	City	School District	County <u>Consolidated</u>	Vocational <u>School</u>	<u>Total</u>
2005	11.09976	13.40352	5.73764	0.71942	30.96034
2006	11.37501	14.30408	6.32206	0.77966	32.78081
2007	11.65737	13.96943	6.22273	0.83196	32.68149
2008	11.65137	13.96983	6.12751	0.73979	32.4885
2009	11.72583	14.59188	6.46980	0.75850	33.54601
2010	11.71943	14.59187	6.42130	0.77796	33.51056
2011	11.71683	14.59046	6.38216	0.78134	33.47079
2012	11.84324	14.59709	6.36360	0.76886	33.57279
2013	11.83301	14.59935	6.36986	0.76795	33.57017
2014	11.83087	14.65434	6.35217	1.05055	33.88793

Name of Governmental Unit	Bonded Debt Outstanding	Percentage Applicable To This <u>Governmental Unit</u>
City of Spencer, Iowa	\$5,648,430	100%
Clay County	Not available	N/A
Spencer Community School District	Not available	N/A

#### **CITY OF SPENCER PRINCIPAL TAXPAYERS JUNE 30, 2014**

<u>Taxpayer</u>	Type of Business	Assessed <u>Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Menard, Inc.	Retail	\$ 9,819,500	1.52%
St. Luke Lutheran Home, Inc.	Assisted living	6,965,650	1.08
Sequoia Investments I, LLC	Mall	6,512,110	1.01
Wal-Mart	Retail	6,427,580	.99
Spencer RP Realty, LLP	Commercial property	5,718,560	.88
Shine Brothers Corporation	Manufacturing	5,070,580	.78
Hy-Vee, Inc.	Retail	4,464,280	.69
St. Luke Lutheran Home-Remainderman	Retirement housing	4,354,100	.67
Jacobsen Homes Corporation	Real estate	4,103,760	.63
Lake Mills Investors, Ltd	Doctors' office	3,462,950	.54

Source:

Clay County Auditor

#### CITY OF SPENCER COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2014

Total Assessed Value (including Tax Increment Levy)	\$661,232,289	
Debt Limit (5% of total assessed value)		\$ 33,061,614
Bonded debt	\$ 5,648,430 270,000 <u>2,424,265</u> 8,342,695	
Less assets in Debt Service Fund available for payment of principal	(483,405)	
Net debt applicable to debt limit		7,859,290
LEGAL DEBT MARGIN		\$25,202,324

<sup>\* \$1,315,000</sup> of these development agreements are subject to annual appropriation by the City Council. Only the amount appropriated for the next fiscal year is subject to the debt limit. This schedule does not reflect the annual appropriation provisions.

## CITY OF SPENCER RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS

Fiscal <u>Year</u>	<u>Population</u>	Assessed <u>Value</u>	Gross Bonded <u>Debt</u>	Less Debt Service <u>Funds</u>	Net Bonded <u>Debt</u>	Ratio of Net Bonded Debt to <u>Assessed Value</u>	Net Bonded Debt <u>Per Capita</u>
2005	11,317	\$494,216,473	\$9,210,000	\$587,063	\$8,622,937	1.74	762
2006	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2007	11,317	559,876,778	8,535,000	598,201	7,936,799	1.42	701
2008	11,317	564,734,364	7,990,000	710,378	7,279,622	1.29	643
2009	11,317	601,611,093	8,945,000	348,205	8,596,795	1.43	760
2010	11,317	619,065,162	9,416,245	322,569	9,093,676	1.47	804
2011	11,233	623,100,573	8,321,430	452,182	7,869,248	1.26	701
2012	11,233	633,957,948	6,972,430	635,990	6,336,440	1.00	564
2013	11,233	646,656,550	6,743,430	518,912	6,224,518	.96	554
2014	11,233	646,406,059	5,648,430	483,405	5,165,025	.80	460

## CITY OF SPENCER RATIO OF ANNUAL DEBT SERVICE DISBURSEMENTS FOR GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL DISBURSEMENTS LAST SIX YEARS

Fiscal <u>Year</u>	<u>Principal</u>	<u>Interest</u>	Total Debt <u>Service</u>	Total General <u>Disbursements</u>	Ratio of Debt Service to General Disbursements
2009	\$1,145,000	\$347,330	\$1,492,330	\$11,015,597	13.5
2010	2,290,000	338,067	2,628,067	9,961,936	26.4
2011	1,763,645	324,280	2,087,925	11,562,830	18.1
2012	2,874,000	228,075	3,102,075	12,404,093	25.0
2013	2,159,000	171,909	2,330,909	11,833,922	19.7
2014	1,095,000	129,883	1,224,883	11,052,825	11.1

General disbursements include general, special revenue, and debt service funds.

#### **CITY OF SPENCER** PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS **LAST TEN YEARS**

Calendar <u>Year</u>	Commercia Units	al Construction <sup>1</sup> <u>Value</u>	Residentia <u>Units</u>	l Construction <sup>1</sup> <u>Value</u>	As of June 30,	Bank <u>Deposits</u> ²	Assessed Property <u>Value</u> ³
2004	11	\$ 1,268,456	39	\$ 5,628,400	2005	\$390,521,000	\$494,216,473
2005	11	5,042,500	22	4,063,350	2006	419,848,000	464,537,933
2006	11	5,240,000	24	3,659,000	2007	446,865,000	559,876,778
2007	10	3,795,000	14	2,596,000	2008	480,373,000	564,734,364
2008	5	231,000	13	2,842,000	2009	475,472,000	601,611,093
2009	4	94,200	13	2,645,000	2010	501,443,000	619,065,162
2010	11	3,173,000	9	2,096,000	2011	524,129,000	623,100,573
2011	5	462,000	4	815,000	2012	553,995,000	633,957,948
2012	6	647,500	32	4,771,000	2013	565,274,000	646,656,550
2013	8	3,391,235	40	5,466,500	2014	594,689,000	646,406,059

Source:

1 City Building Inspector
2 FDIC
3 FDIC

<sup>&</sup>lt;sup>3</sup> Clay County Auditor

#### CITY OF SPENCER MISCELLANEOUS STATISTICS JUNE 30, 2014

Date of Incorporation	1880
Form of Government	Mayor/Counci
Total Number of Employees (all departments)	185
Area in Square Miles	10.98
City of Spencer, Iowa, Facilities and Services:	
Miles of streets	98.7
Culture and Recreation: City parks	15
Fire Protection: Number of stations Number of fire personnel and officers	27
Police Protection: Number of stations Number of police personnel and officers	29
Sewerage System:  Number of treatment plants  Daily average treatment in gallons  Maximum daily capacity of treatment plant in gallons	2,000,000 10,000,000
Water System: Elevated storage capacity Capacity of water plant Daily average consumption in gallons	1,500,000 2,100,000 1,440,000
Hospitals:  Number of hospitals  Number of patient beds	9°

#### **CITY OF SPENCER DEMOGRAPHIC STATISTICS LAST TEN YEARS**

Fiscal <u>Year</u>	<u>Population</u>	School <u>Enrollment</u>	Unemployment <u>Rate %</u>
2005	11,317	2,057	4.2
2006	11,317	2,058	3.3
2007	11,317	2,058	3.1
2008	11,317	2,097	3.1
2009	11,317	1,987	6.2
2010	11,317	1,905	6.5
2011	11,233	1,946	5.4
2012	11,233	1,946	5.2
2013	11,233	2,033	4.2
2014	11,233	2,033	3.8

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of the City Council City of Spencer Spencer, IA 51301

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Spencer, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated March 10, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winther Stare - Co., LLP

March 10, 2015 Spencer, Iowa 1316 West 18th Street P.O. Box 175 Spencer, Iowa 51301-0175 Phone 712-262-3117 FAX 712-262-3159

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor and Members of the City Council City of Spencer Spencer, IA 51301

#### Report on Compliance for Each Major Federal Program

We have audited the City of Spencer, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in Part I of the accompanying Schedule of Finding and Questioned Costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### **Opinion on The Major Federal Program**

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

#### Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winther, Stave & Co., LLP

March 10, 2015 Spencer, Iowa

#### CITY OF SPENCER SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

#### Part I: Summary of the Independent Auditors' Results:

- a. Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- b. No material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number 20.106 Airport Improvement Program and CFDA Number 20.205 Highway Planning and Construction.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Spencer did not qualify as a low-risk auditee.

### CITY OF SPENCER SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2014

#### Part II: Findings Related to the Financial Statements

#### **Internal Control Deficiency:**

No findings were noted.

#### **Instances of Non-Compliance:**

No findings were noted.

#### Part III: Findings and Questioned Costs for Federal Awards

#### **Instances of Non-Compliance:**

No findings were noted.

#### **Reportable Conditions:**

No material weaknesses in internal control over the major programs were reported.

### CITY OF SPENCER SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2014

#### Part IV: Other Findings Related to Required Statutory Reporting

IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

<u>Recommendation</u> - The budget should have been amended in accordance with Chapter 384.18 of the Code of lowa before disbursements were allowed to exceed the budget.

<u>Response</u> - The City will make an effort to amend the budget before disbursements are exceeded, if applicable in the future.

Conclusion - Response accepted.

- IV-B-14 <u>Questionable Disbursements</u> No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- IV-C-14 <u>Travel Expense</u> No expenditures of the City for travel expenses of spouses of City officials or employees were noted.
- IV-D-14 <u>Business Transactions</u> The City purchased supplies totaling \$1,381 from Audio Video Connection, a business owned by Council Member Randy Swanson. The transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.
- IV-E-14 <u>Bond Coverage</u> Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-14 <u>Council Minutes</u> No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-14 <u>Deposits and Investments</u> We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-14 Revenue Notes No instances of noncompliance with the revenue bond and note resolutions were noted.
- IV-I-14 <u>Financial Assurance</u> As of June 30, 2014, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567.113.14(6) of the Iowa Administrative Code.

### CITY OF SPENCER SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2014

#### Part IV: Other Findings Related to Required Statutory Reporting - Continued

IV-J-14 <u>Urban Renewal Annual Report</u> - The urban renewal annual report for the fiscal year ended June 30, 2013 was approved and certified to the lowa Department of Management on or before December 1, 2013.